

## LOCAL ACTION GROUPS, A SOLUTION TO THE RURAL DEVELOPMENT OF ROMANIA

### **Abstract**

For Romania, the rural area represent a difficult problem because it has a high share. During the communist era, a forcefully reduction of the rural share was undertaken through various means, most often destructive (Ailenei, 2001). Even the transition to a market economy has failed to improve the situation because, in recent years, the urban-rural migration flows have surpassed the rural-urban flows making the too large rural share problem to block the structural changes needed on one hand to modernize the economy, and on the other hand for the European integration (Constantin, 1996). If we consider other factors such as access to education, quality of life, the differences between rural and urban economic and social infrastructure, than the factors that slows down economic development in Romania are even more obvious, and the importance of regional development gains an even greater significance. The regional development is of particular importance also in terms of ensuring territorial cohesion, which in turn enhances regional growth. At the local level, ensuring the rural-urban continuum is given by the connection quality and the intensity of economic exchanges between localities. In this context the Leader initiative of the European Union (EU) represents an important opportunity to achieve and strengthen the rural-urban continuum in Romania. This paper analyzes the current directions of rural development, making a comparison between the European rural development and rural development in Romania. As an argument of the current direction of the European regional development the Leader initiative is presented in terms of both its development and the objectives pursued. As a conclusion, the paper argues in favour of local action groups (LAG), the main vehicle of Leader, as a solution for a sustainable rural development in Romania.

**Keywords:** local action groups, regional disparities, regional development policies.

**JEL CODES:** O18, R11, R58.

## GRUPURILE DE ACȚIUNE LOCALĂ, O SOLUȚIE PENTRU DEZVOLTAREA RURALĂ A ROMÂNIEI

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### **Rezumat**

Pentru Romania, zona rurală reprezintă o problemă dificilă datorită ponderii mari a acesteia. În perioada comunistă s-a forțat diminuarea acestei ponderi prin diferite mijloace, cel mai adesea distructive (Ailenei, 2001). Nici măcar tranziția la economia de piață nu a reușit o îmbunătățire a situației în condițiile în care, în ultimii ani, fluxurile migratorii urban-rural le-au depășit pe cele rural-urban, ceea ce face ca problema ponderii prea mari a zonei rurale să blocheze mutațiile structurale absolut necesare modernizării economiei și procesului de integrare europeană (Constantin, 1996). Dacă mai avem în vedere și alte elemente precum accesul la educație, calitatea vieții, diferențele de infrastructură economică și socială dintre rural și urban apare și mai evident sistemul de factori care încetinește dezvoltarea economică a României, iar importanța dezvoltării regionale capătă o semnificație și mai mare. Dezvoltarea regională are o importanță deosebită și din perspectiva asigurării coeziunii teritoriale, care la rândul ei potențează creșterea economică regională. La nivel local asigurarea continuumului rural-urban este dată de calitatea conexiunilor și intensitatea schimburilor economice dintre localități. În acest context inițiativa Leader a Uniunii Europene (UE) reprezintă o importantă șansă pentru realizarea și consolidarea continuumului rural-urban în Romania. În această lucrare se analizează direcțiile actuale de dezvoltare rurală, făcându-se o paralelă între dezvoltarea rurală la nivel european și dezvoltarea rurală în România. Ca argument al direcției actuale de dezvoltare regională la nivel european este prezentată inițiativa Leader atât din punct de vedere al evoluției acesteia cât și ca obiective urmărite. În finalul lucrării sunt aduse argumente în favoarea grupurilor de acțiune locală (GAL), principalul vehicul al inițiativei Leader, pentru o dezvoltare rurală susținută în România.

**Cuvinte cheie:** grupuri de acțiune locală, disparități regionale, politici de dezvoltare regională.



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## 1. THE BACKGROUND OF ROMANIAN PROCESS OF INTEGRATION INTO THE EUROPEAN UNION

The EU rural development policy is a part of the Common Agricultural Policy (CAP). This policy is decided and implemented at EU level by the Member State governments. Created in the '70s, the CAP's main function was to support the domestic prices and incomes through intervention operations and border protection systems. But, with time, the cost of this policy came to be unacceptable, imposing the need for reform (Faludi, 2007). The change in strategy occurred with the launch of "Agenda 2000" which promote the competitiveness of European agriculture. Furthermore, an essential new element was included: the rural development policy aims to support rural initiatives and to encourage farmers to restructure farms and to diversify their products.

The 12 new Member States that joined the EU in 2004 and 2007, added about 55 million hectares of land to the existing 130 million. This has increased the agricultural area by 42% while the total production has only increased by around 20%, thus confirming that the enormous potential of agricultural production of new states is far from being fully used.

Romania, with an area of 6% of that of the European Union and almost 22 million inhabitants is the second new Member State, both in size and population, after Poland. However, as can be seen in Figure 1, GDP per capita expressed in purchasing power parity was only 46% of EU-27 average, which means 2% of EU-27 GDP.

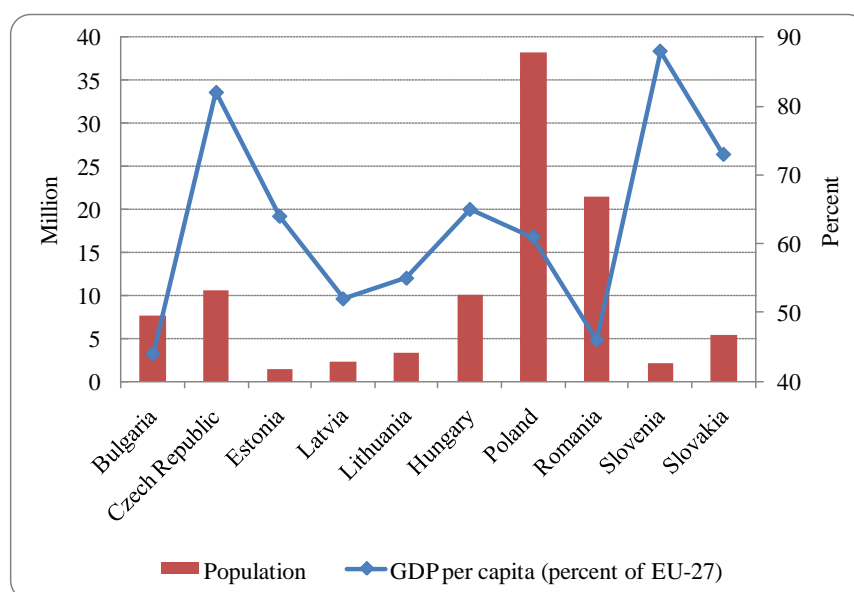


FIGURE 1 - GDP PER CAPITA AND POPULATION IN THE NEW MEMBER STATES IN 2009  
 Source: made by the author with Eurostat data

Rural area covers 87.1% of the territory and 45.1% of the population. When compared to other new Member States, Romania has a significant larger rural population than the average, except, and only as percentage, Slovenia (Figure 2).

Large rural population explains why agriculture is more important than in most other Member States. However, the contribution of these 25.6 percentages of the population working in agriculture was only 7.1% of the gross value added in 2009. Moreover, the productivity, calculated as the ratio between agricultural production expressed in purchasing power parity and the number of annual work units is very low. Using data from 2007 to calculate the productivity in this way, Romania is ranked 26 out of 27 Member States. Also, the trade deficit in agro-food products is relatively high, reaching a maximum of 2.182 billion Euros in 2008, and later, because of the recession, reached 933 million in 2010.

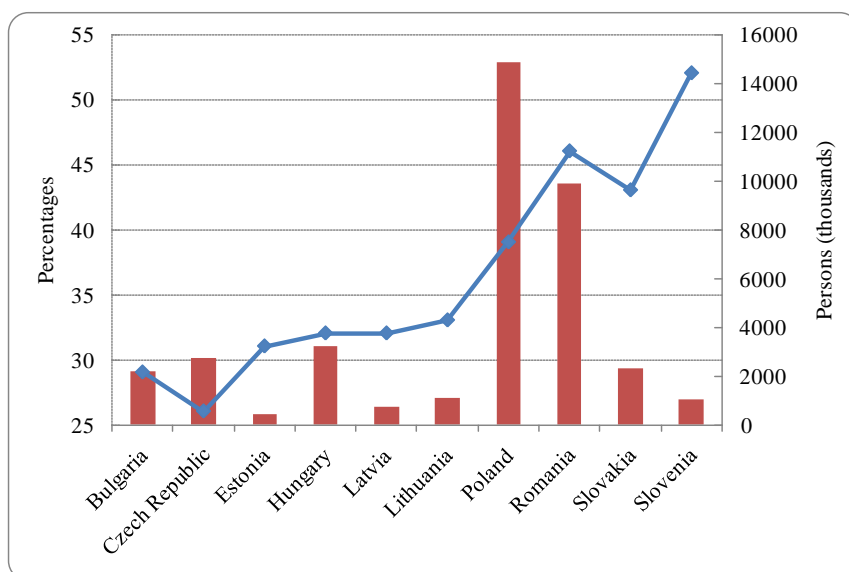


FIGURE 2 - RURAL POPULATION IN THE NEW MEMBER STATES IN 2009  
Source: made by the author with Wordbank data

According to the National Rural Development Programme, the agriculture in Romania is mainly characterized by its dual structure: a small number of businesses out of which the majority have large commercial farms (9660 of such farms with an area above 100 hectares, accounting for 38.91% of the agricultural area), which means that about 0.25% of farms have almost two-fifths of the agricultural area while the remaining 99.75% have three-fifths of the agricultural area. If we consider that agriculture made on less than 5 hectares is subsistence agriculture, then we had 3,451,160 holdings covering 34.94% of the agricultural land in this situation.

If we consider other factors such as access to education, quality of life, the differences in economic and social infrastructure between rural and urban, than the factors that slows down economic development

in Romania are even more obvious. In these circumstances the European integration of Romania has an additional problem - the rural area.

## 2. INITIATIVE AND APPROACH IN THE LEADER PROGRAMME

The new development policy for the 2007 - 2013 period has three major objectives:

- Increasing the competitiveness of agriculture;
- Improving the environment and supporting land management;
- Improve quality of life in rural areas and encouraging diversification of economic activities.

To every main objective a thematic axis corresponds. The three thematic axes are complemented by a fourth axis dedicated to the Leader approach.

The LEADER (Liaisons entre activites de Development de l'Economie Rurale - links between activities developing rural economy) initiative has emerged as an experimental form of the EU approach to rural development in the early '90s.

The initiative has passed through three stages of programming: Leader I (1991-1993), Leader II (1994-1999) and Leader + (2000-2006). The initial aim was to improve the development potential in rural areas taking advantage of local initiatives and skills, encouraging the acquisition of knowledge on integrated local development and spreading this knowledge in other rural areas (Ailenei et al., 2011a).

The need for this initiative arose because many of the approaches to rural development were, in general, sectorial (Capello et al., 2008). The emphasis was put on farmers and aimed to encourage structural changes in the agricultural sector. However, the approach was from top to bottom, meaning that the decisions and aid were decided at national or regional levels. Thus, in most cases, local stakeholders were not involved in decisions about the future of their areas.

But in time, it was found that the use of local communities and the harness of local knowledge was a better way to create jobs in rural areas. Thus, through the Leader Programme experimental local associations were conceived, associations made on different projects and ideas, with various stakeholders and resources.

The results, extent and resources allocated by this Programme are presented in Table 1.

TABLE 1 - LEADER INITIATIVES BETWEEN 1991 AND 2006

Leader Initiative	Number of LAGs	Area (km <sup>2</sup> )	Amounts allocated (mil. euro)
Leader I	217	367 000	442
Leader II	906	1 375 144	1755
Leader +	893	1 577 386	2105

Source: made by the author with Eurostat data

The governing bodies of the Leader Programme are the local action groups. They have legal personality and autonomy over public funds, and they adopt forms of internal organization which are considered to be in their own advantage. LAGs are public-private partnerships consisting of representatives of the following sectors:

- Public: public administration (either at local or county levels - municipalities, local councils, county councils, etc.) public services (social services, health and transport services, schools, universities, etc.);
- Private: commercial sector (joint stock companies, limited liability companies, etc.), financial sector (banks, credit institutions, etc.), agricultural sector (agricultural cooperatives producer groups, etc.), entrepreneurs organizations, community service companies (cultural, radio, TV, non-cultural services, etc.);
- Civil society: non-profit associations, foundations, federations (environmental associations, cultural, social, religious associations, chambers of commerce, religious facilities etc.), individuals, groups of people unregistered officially.

At the LAG level, over 50% of the management must comprise private representatives and NGOs, while less than 50% is represented by the public sector.

In the composition of each group lies the political and social forces along with the economic entities relevant for each area. Most groups appear as associations with advisory or decisive powers.

LAG focuses its targets on harnessing natural and cultural heritage and on improving the economic environment to create jobs and to increase organizational capacity of rural communities. And last but not least, it ease the access to specific programs that create better living conditions, training and jobs. Essentially, the LAGs are ways of access to economic and social development.

### 3. CONCLUSIONS

Rural development in Romania has long been synonymous with agricultural development and it was considered that it can only be encouraged by subsidizing the costs and by modernizing the production

processes. Also, very often, the economic progress was seen as a combination of agricultural modernization (as support for rural development) and industrialization (as an incentive for urban areas) (Capello, 2008).

Currently, rural development appears rather as a struggle against marginalization of certain areas and as a desire to use and better protect national territory, to prevent its depopulation, to keep alive and to share its culture and traditions. Thus, rural development must be conceived and designed by taking into account new visions for rural areas, and the main features of the new concept of rural development should be based on:

- the fact that nowadays the emphasis is more on the territorial dimension and less on the agricultural dimension. Also, the interest in the various functions and services provided by the agricultural space goes beyond the productive character;
- the awareness of the myriad links between small towns and rural areas around them and the complementarity of urban and rural development processes;
- the reality that part-time farming has become a general characteristic, many families gaining their earnings from different sectors of the economy;
- the increased interest in the residential aspect of the countryside, in contrast to its purely productive or recreational function, what makes social and residential services in the rural areas to get more attention;
- the fact that rural areas are integrated into different markets (such as consumer products, technology or labour). And, in the current context of globalization, this integration will lead to an increased interest of territorial competitiveness to the detriment of the sectorial competitiveness. In other words, rural areas will seek to multilaterally develop regardless of its traditional agricultural character;
- the economic potential it is offered by activities regarding history, geographical location, traditions, environmental issues etc.;
- the participation of the entire community (private sector, public sector, civil society) in designing and implementing rural development policies and programs.

Considering the urban deficit of Romania and its rural development problems, building and developing LAGs could be a constructive solution to reduce the rural share and to revitalize the development of urban centres (Ailenei et al., 2011b). But solving the rural problem exceeds the National Rural

Development Plan (2013) horizon and tends to a medium to long run problem, considering that the rural share is settled at a rate of 44-45% in the last decades. Therefore, for Romania, the LAGs initiative will remain current even after the completion of Leader. By developing activities in rural networks around smaller towns, LAGs can economically and socially revive these centres. In turn, these small towns can boost the development of urban centres. This can generate an economic growth effect having LAGs as growth poles.

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